

ACCESS

T B L M A R K E T I N G B I - M O N T H L Y

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RTO West completes Stage 2 filing

RTO West Filing Utilities* sent a Stage 2 filing to the Federal Energy Regulatory Commission (FERC) in late March. While the filing brings Northwest transmission utilities another step closer to forming a regional transmission organization (RTO) that meets FERC's Order 2000 guidelines, a number of issues still need to be resolved before the region can take the final step towards actual operation, which is not expected before 2004.

The filing asks FERC to find that the RTO West proposal satisfies the minimum characteristics and functions of an RTO, pending later filings that would refine certain RTO West concepts and would resolve the issues of generation and load integration, RTO tariff and other proposals.

The Bonneville Power Administration said the latest

* RTO West Filing Utilities: Avista, BC Hydro, Bonneville Power Administration, Idaho Power, Montana Power, PacifiCorp, Portland General Electric, Puget Sound Energy, Nevada/Sierra Pacific Power.

submission to FERC is a step forward and, as the RTO is currently envisioned, it will likely bring benefits to the transmission grid and to the region's customers. However, as the RTO filing utilities resolve the remaining issues, BPA must also find solutions to several issues before it can make a final decision about its role in the regional organization.

continued on page 4

In This Issue

page

- *RTO West completes Stage 2 filing*1
- *Altman moves to Account Executive position*2
- *BPA Considers Alternative financing*2
- *TBL to enter 90-day case for wind resources*3
- *Kangley Echo Lake*6
- *TBL to set Program Levels*6
- *BPA considers border power line route*7



Accommodating intermittent generators such as these wind turbines at FDL Energy's Stateline Wind Project, is the subject of a shortened rate case. See story page 3.

Altman moves into Account Executive position

New account executive Brian Altman has supported Transmission Business Line account executives with his unique set of skills since 1997.

Now, as the TBL faces an unprecedented number of requests from generators for transmission integration, Altman has stepped up to an AE position

himself to help Mike Raschio and Joe Rogers with that effort.

However, as with all other AEs, Altman's primary job is to address customer issues. He already is contacting Bonneville Power Administration public customers in Central Washington and east into the Tri-Cities area.



"I see my job as making sure customers understand BPA's issues, but also to help BPA management understand the concerns our customers have," Altman said. "I know that their main issue continues to be keeping the lights on. That's ours, too."

Altman grew up in Atlanta, Georgia and received an engineering degree from the University of Alabama in 1984. He worked several years as a naval officer on a nuclear submarine and as an engineer with ABB, a worldwide consulting firm, before entering the Lewis & Clark Law School in 1991. He joined BPA as an electrical engineer in 1992, while still attending law school and graduated in 1994. He has worked in BPA's general counsel's office, in transmission contracts and policy, and provided support for both the 1996 and 2002 rate cases.

"Brian has made important contributions to our staff over the five years he's been with us," said Ruth Bennett, TBL Sales Manager. "His understanding of the electric system and of law combine the skills it takes to interpret contracts, wade through the backlog of interconnection requests and generally to provide customers with the information they need about our business."

Altman's customers include Asotin PUD, Benton PUD, Benton REA, Big Bend Electric Coop, Clearwater Power Co., Columbia REA, Franklin PUD, City of Richland, Wapato Irrigation District (USBIA), USDOE - Richland, TransAlta and Cogentrix.

Altman can be reached at his Vancouver, Wash. office at 360-418-8271, by cell phone at 360-901-5171, or by e-mail at bdaltman@bpa.gov.

BPA considers alternative financing

Recognizing the immediate need to upgrade its transmission infrastructure, yet unsure of Congressional approval to expand its borrowing authority to pay for those improvements, the

"WE FEEL A SENSE OF URGENCY TO GET SOME OF THESE PROJECTS COMPLETED. ONE WAY TO DO THAT IS TO LOOK TO OTHER, NON-FEDERAL METHODS OF FINANCING OR PARTICIPATION IN THE PROJECTS."

BOB LAHMANN

TBL ACCOUNT EXECUTIVE

Bonneville Power Administration is considering several non-federal financing options to get the projects built.

The options being considered could help the Transmission Business Line finance at least some of the 20 infrastructure projects it needs to build over the next five years in order to maintain a reliable transmission system. According to a recent technical review of regional transmission experts, the region has a "compelling and immediate need to upgrade portions of the Northwest bulk transmission grid." The experts identified nine projects that address growth in demand, generation integration and congestion as high priority projects. In all, there are 20 projects on the G-20 list.

"We feel a sense of urgency to get some of these projects completed," said Bob Lahmann, TBL account executive. "One way to do that is to

look to other, non-federal methods of financing or participation in the projects. But, this is not like buying a transformer. We're not sure at this point what is available."

It is still possible that Congress could extend BPA's borrowing authority to some level, but it is unlikely the extension would cover the entire \$1.3 billion cost of completing all G-20 infrastructure projects. However, the Bush Administration has expressed a desire for federal/non-federal partnerships and so the TBL has begun a process to explore non-federal financing options. The process includes a formal inquiry that began in March into what potential partners or financing options are out there, what level of interest they may have and in what projects, and what

continued on page 8

TBL to enter 90-day case for wind resources

In mid-April the Transmission Business Line will put into motion a shortened rate case process that proposes to eliminate the Generation Imbalance Service of 100 mills per kilowatt/hour for wind resources. Wind resources are not able to control the variability of their output like other generating resources and the imbalance charges may be acting as a barrier to Northwest wind power development.

Wind developers, wind advocates, power marketers, utilities and the Bonneville Power Administration worked for nearly a year to arrive at a solution to the problem and delivered their proposals by letter to BPA's transmission group in December 2001. They requested TBL to eliminate the 100-mill imbalance penalty for intermittent resources. Currently, a charge is levied on resources that fail to meet their transmission schedules by the greater of 1-1/2 percent or 2 megawatts during a scheduled hour.

WIND RESOURCES ARE NOT ABLE TO CONTROL THE VARIABILITY OF THEIR OUTPUT LIKE OTHER GENERATING RESOURCES AND THE IMBALANCE CHARGES MAY BE ACTING AS A BARRIER TO NORTHWEST WIND POWER DEVELOPMENT.

They also asked the TBL to develop a Generation Imbalance Service rate that allows intermittent resources, such as wind, to average imbalances over a month instead of hourly and to completely eliminate the 10 percent adder and discounts for imbalances. In exchange, wind farm operators would develop an hourly wind forecasting system to help provide more accurate scheduling.

The TBL will consider these proposals during its next rate case.

"We are only proposing to eliminate the 100 mill per kWh minimum imbalance rate for wind resources at this time," said Mary Ann Dalton of the TBL. "This is a single-issue rate case, which is much different than normal multiple issue rate cases, and so will not require as much time."

GENERATION IMBALANCE CHARGES WERE ORIGINALLY DESIGNED TO DISCOURAGE "GAMING" THE SYSTEM BY SCHEDULING A CHUNK OF THE TRANSMISSION SYSTEM AND THEN SWITCHING WHEN A BETTER DEAL COMES ALONG.

She said the TBL plans to place a notice of the mini-rate case in the Federal Register in mid-April. That will kick off a process that includes all the steps of a normal rate case but that is truncated into 90 days. The final Record of Decision would be delivered to the Federal Energy Regulatory Commission for final approval sometime in July. However, the change to the tariff would only be in affect through the current rate case, which ends Sept. 30, 2003. The issue will also be considered in the TBL's next rate case.

Generation Imbalance charges were originally designed to discourage "gaming" the system by scheduling a chunk of the transmission system and then switching when a better deal comes along, Dalton said. To prevent gaming, most transmission owners across the U.S. apply a penalty when the energy scheduled isn't delivered. However, intermittent resources, such as wind generation, do not have enough control over the resource in

the first place to game the system. BPA's Power Business Line, along with the wind developers that signed the letter to the TBL, believe the imbalance charge as it exists significantly affects wind's ability to compete in the Northwest.

This would not be the first time FERC has been approached to change imbalance charges in order to accommodate wind resources. The California independent system operator filed in January a proposal that includes averaging imbalances over a month and eliminating the 10% adder and discounts for imbalances. FERC is considering the filing.

Wind power is one of the fastest growing generating resources worldwide. 312 MW were installed in Oregon and Washington during 2001, bringing the Northwest total to 337 MW. Developers have scheduled to build as much as 1,500 MW more in the next two years.

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Send your letters and comments to your account executive or to "Access: Letters to the Editor," Bonneville Power Administration, Transmission Business Line – Attn: Linda Harris-Proctor, TMP-Dittz, P.O. Box 491, Vancouver, WA 98666; e-mail: lharris@bpa.gov

RTO West completes Stage 2 filing

continued from page 1

"On balance we believe this filing, combined with the West Coast-wide vision, represents a framework for a Northwest RTO that will benefit Pacific Northwest electricity consumers," said BPA administrator Steve Wright. "It also has the potential for meeting the test of no increased risk to taxpayers."

THE LATEST SUBMITTAL TO FERC IS A STEP FORWARD AND, AS THE RTO IS CURRENTLY ENVISIONED, IT WILL LIKELY BRING BENEFITS TO THE TRANSMISSION GRID AND TO THE REGION'S CUSTOMERS.

Mark Maher, senior vice president for BPA's Transmission Business Line, said that BPA will continue to work on the remaining issues with the filing utilities towards the next substantive filing. Maher emphasized that the Stage 2 filing was a critical milestone to demonstrate to FERC the progress that the filing utilities have made over the past two years in working with regional stakeholders to develop an RTO proposal that works operationally with the Northwest's unique electric system.

Preliminary findings of a recent study by Tabors Caramanis & Associates, an independent consultant, looking at the quantitative benefits of RTO West estimated that the organization's formation had the potential to produce savings of up to \$305 million in lower generation production costs and lower congestion management costs. TCA also concluded that the RTO would eliminate pancaked rates and reduce costs to users of the system, increase available transmission capacity and

the grid would operate more efficiently as a single control area.

Additional benefits that BPA expects, but are not quantified in the consultant's study, include maintaining and enhancing the reliability of the Northwest transmission grid, one-stop shopping for wholesale transmission service, improved coordinated regional transmission planning (including consideration of non-transmission alternatives and a backstop for planning decisions), more efficient maintenance and outage scheduling, greater transmission market liquidity, and regional accountability.

Evaluating BPA's participation

While BPA acknowledges that RTO West has the potential to produce societal benefits, its participation in the Stage 2 filing does not represent a final decision for BPA, according to Maher. He said the timing for a final call on whether BPA will participate in RTO West will occur at the point BPA would need to sign the transmission operating agreement that establishes the contractual relationship for how the RTO would operate BPA's transmission facilities. That could be as late as 2005 and the decision would be based on a number of factors:

- ◆ How well the final proposal matches BPA's Principles for RTO participation (see the RTO West Report Card in this issue of ACCESS).
- ◆ Completion of the quantitative and qualitative benefit-costs analysis. The analysis at this point is not yet complete and will change as the RTO develops.
- ◆ FERC's approval of the filing utilities' proposals.
- ◆ Guidance from Congress.

The bottom line is how RTO West's formation will affect customers, Maher said. That's why there are

some yet-to-be-resolved issues that must be addressed before BPA can sign on with RTO West. Among those issues are the final benefit-cost analysis, congestion management validation, reducing exposure from liability, and establishing the right creditwor-

THE BOTTOM LINE IS HOW RTO WEST'S FORMATION WILL AFFECT CUSTOMERS.

MARK MAHER

SENIOR VICE PRESIDENT

thiness standards for the Scheduling Coordinators who do business with RTO West. Additional issues are the preservation of historical contract rights; sufficient facilities inclusion, adequate transmission development, defined control area responsibilities, transmission adequacy standards, and establishment of a governance proposal that is responsive to public input.

Next steps

Among the issues addressed by the Stage 2 filing were several agreements, including the Transmission Operating Agreement (TOA), Paying Agent Agreement and the Scheduling Coordinator Agreement. The filing also addressed congestion management, pricing, facilities inclusion, Ancillary Services, revised bylaws, market monitoring, insurance, indemnification and limitation of liability.

The next step for the filing utilities is to determine a work schedule with RTO West stakeholders to develop the remaining proposal elements for a final filing to FERC. BPA will also continue work with its public customers and other stakeholders to ensure their needs are met.

The best way to keep up and to view the draft filing documents is to log on through the Internet at www.rtowest.org/Stage2Index.htm.

Northwest Regional Transmission Organization Principles Report Card

This scorecard of how RTO West meets principles the Bonneville Power Administration established at the outset of the regional transmission organization process captures BPA's thoughts in mid-March. In addition, it only addresses certain of BPA's principles. A full scorecard is available through Transmission Business Line account executives.

	Pass	Fail	Unsure
1. Establish, maintain and enhance reliability, adequacy and safety			
a. Sufficient authority to maintain short-term and long-term reliability, availability and efficiency.	✓		
2. Facilitate market competition			
a. Nondiscriminatory open access	✓		
b. Transmission independence from power merchant function	✓		
c. Eliminate rate pancaking			✓
3. Improve Efficiency			
a. Tariffs that support efficient operation of generation and effective siting of new generation and DSM			✓
b. Encourage consolidation where greater system benefits would result.	✓		
c. Lowest total cost to consumers			✓
4. Equity			
a. Minimize cost shifts, and phase-in cost shifts where unavoidable.	✓		**
b. Any transfer of assets into the RTO should fairly protect/compensate creditors and equity holders while protecting the interest of ratepayers.			NA
5. Provide for the minimum characteristics and functions in the final FERC order.	✓		
<p>These are:</p> <p>Minimum Characteristics</p> <ul style="list-style-type: none"> a. Independence from market participants b. Appropriate Scope and Geographical Configuration c. Possesses Operational Authority for All Transmission Facilities under the RTO's Control d. Exclusive Authority to Maintain Short-Term Reliability <p>Minimum Functions</p> <ul style="list-style-type: none"> *a. Administer its own tariff and employ a transmission pricing system that will promote efficient use and expansion of transmission and generation facilities. b. Create market mechanisms to manage congestion c. Develop and implement procedures to address parallel path flow issues. *d. Serve as the supplier of last resort for all ancillary services required in Orders No. 888 and subsequent orders. *e. Operate a single OASIS site for all transmission facilities under its control with responsibility for independently calculating TTC and ATC. *f. Monitor markets to identify design flaws and market power. g. Plan and coordinate necessary transmission additions and upgrades. h. Interregional Coordination. An RTO must develop mechanisms to coordinate its activities with other regions, whether or not an RTO yet exists in those regions 			

Kangley-Echo Lake EIS nearly complete

The fastest growing area on the Northwest transmission grid is Puget Sound. That growth is placing considerable strain on the local transmission system and has the potential to limit the Bonneville Power Administration's ability to return Canadian Entitlement power to Canada.

To relieve congestion and increase reliability in the area, the Transmission Business Line is proposing to build the Kangley-Echo Lake 500 kV transmission line, which includes nine miles of line east of Puget Sound. Construction could begin as early as this summer after BPA completes a final environmental impact statement and once Seattle Public Utilities, the National Marine Fisheries Service, the U.S. Fish and Wildlife Service and BPA complete an agreement that would allow the project to move forward.

"This project is needed to improve the reliability of the Puget Sound transmission system," said project manager Lou Driessen. "However, since it would be built across the Cedar River watershed, it is also particularly sensitive environmentally and is requiring additional work. We believe our preferred alternative addresses all the sensitive issues."

Driessen said that the TBL is in the process of completing a final environmental impact statement (EIS) while, at the same time, it is working closely with agencies to make sure environmental impacts of the construction on the watershed are minimized.

Winter electricity demand in the Puget Sound area is projected to grow 1.6 percent or 150 to 200 megawatts each year over the next decade. That growth is putting a strain on local transmission. The proposed Kangley-Echo Lake 500 kV line would address this growth by adding about 600 megawatts of transfer capacity to the area's transmission system. It also adds

a degree of backup reliability if one line were to go down, Driessen said.

Driessen said the EIS considers several other alternatives, as is

required by the National Environmental Policy Act, but has chosen as its preferred alternative an option with the least impact.

continued on page 7

TBL to set program levels

The Transmission Business Line will begin in April a review with customers of the anticipated level of programs and expenditures. The Programs in Review is a public discussion about TBL actions and spending on its programs focusing primarily on the 2004 - 2005 period.

**"THE RESULTS OF THIS PROCESS
WILL SERVE AS THE BASIS FOR TBL'S
FINANCIAL PLANNING AND STRATEGY."**

KEVIN WARD

TBL'S POLICY STRATEGIST

"The results of this process will serve as the basis for TBL's financial planning and strategy. In addition, the transmission capital and expense levels decided by the Administrator will be reflected in TBL's rate proposal later this year," said Kevin Ward, TBL's policy strategist.

The Programs in Review process that will span the months of April through August will consist of several regional workshops to solicit public comment on the TBL's proposed spending levels for transmission system operations and reliability. It will focus regional discussion and provide the public an opportunity to comment orally and in writing on the proposed capital expenditures and expenses for transmission. The Administrator will close the public process by issuing a final decision on the spending levels sometime in August.

Among other issues, the review will incorporate the work already completed by a technical review team

that has looked at 9 of the 20 infrastructure projects BPA has identified as important to the transmission system's reliability. They are currently in the process of looking at the next phase consisting of five more projects. They will then prioritize the projects according to need. Over the last 15 years, the TBL has upgraded communications and control systems, installed shunt capacitors for voltage support and other technical fixes to beef up the grid in areas where transmission was constrained. Now that these activities have been completed, BPA must again begin working on transmission infrastructure.

The TBL will consider non-federal financing of infrastructure projects in addition to federal borrowing authority. Unsure of approval by Congress to expand its borrowing authority, the non-federal options being considered would help the TBL to creatively finance at least some of the 20 projects (see article in this edition of ACCESS).

In addition, the organization will continue to review non-transmission alternatives to building transmission projects (see February 2002 ACCESS).

According to Ward, the TBL will begin notifying customers of workshops and comment opportunities in April. Customer meetings where the TBL will take customer comments will occur in May and June. The TBL expects to complete a comment summary and if needed hold additional technical meetings in July and complete its closeout letter sometime in August.

BPA considers border power line route

The Bonneville Power Administration is proposing to build a 500-kilovolt transmission line that would boost transmission capacity in the mid-Columbia River area to accommodate new generation now under construction. The proposed line from McNary Dam to John Day Dam is the subject of three public meetings in April.

THE NEED FOR THE LINE IS DIRECTLY TIED TO SERVING NEW GENERATION.

Considered by BPA's Transmission Business Line as one of its most-needed infrastructure projects, the proposed 79-mile McNary to John Day 500 kV line would largely share an existing right of way with 230 kV

Kangley-Echo Lake EIS nearly complete

continued from page 6

That option originates at a tap point on the TBL's Schultz-Raver No. 2 500 kV line near Kangley and terminates at its Echo Lake substation near North Bend. The project also requires a 3-acre expansion of the Echo Lake substations.

The line will be located parallel to an existing 500 kV line, which reduces the amount of clearing of trees and brush as well as reduces the need for new roads. While construction would still displace two residences and impact a proposed subdivision, it has a much smaller impact on residences and on the environment as would four other alternatives that were considered.

Public meetings were held in late 2001 to take comments on the draft EIS. BPA is incorporating those comments and plans to complete a final EIS by May 2002. That EIS will be available on the Internet at www.efa.bpa.gov.

and 345 kV transmission lines, linking substations at each of the dams. The line's addition to the area's grid will add 1,200 megawatts of transfer capacity along the Columbia River from the Tri-Cities to The Dalles, and would relieve the potential for congestion towards Westside load centers. The need for the line is directly tied to serving new generation, so the TBL is considering third party financing for the project, which is scheduled for completion in the Fall of 2004, according to project manager Lou Driessen.

"Because the Northwest has only recently been recovering from a shortfall in electric energy supply and a volatile wholesale power market, there are still many new power generators planned in the region," Driessen said. "Some of these proposed power plants are in the vicinity of the McNary-John Day project. Our proposed line would help ensure that existing and newly generated power could move through the system. The existing transmission lines in the area are at capacity."

The proposed line, which would run through lightly populated agricultural and grazing lands, would begin at the McNary Substation in Oregon, cross the Columbia River just north of the substation into Washington, head west for about 70 miles along the river and again cross the Columbia River into Oregon and terminate at BPA's John Day Substation.



The proposed transmission line from McNary Dam to John Day Dam follows an existing right-of-way.

More details about the line route and other project characteristics can be found in a draft environmental impact statement, which is available by calling 1-800-622-4520 or by logging onto BPA's web site at <http://www.efw.bpa.gov/cgi-bin/PSA/NEPA/SUMMARIES/McNaryJohnDay>.

Comments on the plan are due April 22.

"BPA will make a final decision after issuing the final environmental impact statement," Driessen said. "Before that we want to hear what people have to say about our report and its findings."

The public meetings, scheduled from 4 to 7 p.m., are:

APRIL 8 — Hermiston, Ore.,
Hermiston Community Center

APRIL 9 — Paterson, Wash.,
Paterson School

APRIL 10 — Roosevelt, Wash.,
Roosevelt School

For those who cannot attend the public meetings, comments can be written to BPA Communications — KC-7, P.O. Box 12999, Portland, Oregon 97212. Comments can also be made by calling BPA toll-free at 1-800-622-4519 or by sending an Email to comment@bpa.gov.

BPA considers alternative financing

continued from page 2

conditions they would place on BPA.

Non-federal participation could include partnering in construction, partnering in use or acquisition of a transmission project. That could be an owner-like arrangement similar to the capacity ownership BPA shares with parties in the AC Intertie. BPA owns the towers and the lines, while other partners own portions of the capacity.

Other partnerships could be with suppliers, such as a manufacturer of capacitors to help finance the installation of capacitor banks, end-use customers or generators, as well as traditional financial institutions. Whatever the arrangement, BPA must make sure it is permissible under its

statutory authority; it is consistent with the rights and obligations under TBL's tariff; it allows timely completion of projects; and it maintains the safety and reliability of the transmission system.

The TBL is looking at 18 of the G-20 projects to determine which would be appropriate for non-federal financing or partnership. Two do not qualify due to timing or for other reasons and so will still require federal financing. Whatever BPA finds out, it will compare the business case of federal financing to that of the non-federal option.

The TBL developed the concepts and principles — the sideboards on the kinds of participation it will entertain — and posted them in March, inviting potential partners to declare their interest and conditions

for investing in infrastructure projects. The posting can be found on the TBL's Open Access Same Time Information System (OASIS) on the Internet at www.transmission.bpa.gov/OASIS/BPAT, and in Federal Business Opportunities (successor to the Commerce Business Daily). Responses are due no later than April 15. The TBL will evaluate the responses based on the pre-established principles, the proposal's cost-effectiveness and its legality before making any decisions.

Questions about the posting should be directed to Lahmann at 360-418-2092.

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